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Personal Disclaimer

- I am not a role model
- I have no portfolio, no real estate, no RSP, no debt, no dividends, and (virtually) no fixed assets
- I am not an “investor” – I am a cautious trader
- I don’t know you - so I can’t give you any “advice”
- I will talk about some of the things that I do, and why...you may get an idea that will help you manage your own affairs



Program

- Who am I?– my personal history has shaped my actions, beliefs, motives and goals
- Why do I do what I do? – I am trying to maintain my financial independence
- What do I do? – I study, try to understand, form opinions and risk assessments, anticipate trades, wait for confirmation, and then act
- How do I do it? – examples of what I'm doing with my savings and trading accounts, and why



Who am I?

- Why do you believe what you believe?
- My actions, motives, goals and beliefs have been shaped by my life experiences
- Mom and the kids
- The grandparents – stories about the depression
- The Norton
- I made and saved more money in the last 10 years than in the preceding 50 years – how?
- I need to get used to having that money – and I don't want to lose it



Who am I?

- Willing to take risks
- Determined to succeed
- Paid on performance
- Always asking, “What if...?”
- Determined to not follow the crowd (*I love to sell euphoria short!*)
- Always looking for the home run trade, but happy to bat singles day after day



My Big Picture View

- The biggest credit boom in history produced a huge asset boom and a great willingness to take risks – that ended in 2008 – we are now in a multi-year period of de-leveraging and demographic change
- Way more money has been borrowed than will ever be repaid
- Way more promises have been made than will ever be kept



Big Picture - Consequences

- Bonds are no longer “*risk free*”- *Don Coxe*
- Ultra-low interest rates force people to “*reach for yield*” - they may get hit with more risk than they were expecting – *MF Global (and who else?)*
- A generation trained to “*buy the dips*” will painfully learn that’s not always a good idea
- There is no “*safe*” investment
- The Americans wash their laundry in public...



Big Picture Questions

- Is China a reprise of Japan in the 1980's?
- Is America a reprise of Japan in the 1990's?
- Has the future economic growth that the world desperately needs been “stolen” by the debt financed growth of the past generation?
- Is something “big” going to break? The Euro?
- Are economic issues going to force significant social and political change? - Where now? - Where later?
- Are higher taxes and reduced services inevitable? - Who is going to pay?



My Actions Based Upon My Big Picture View

- Most of my net worth is in cash with over 20% of that converted to US Dollars – why? – why not?
- About 5% of my net worth has been in a resource stock partnership for 8 years – why?
- About 40% of my net worth is in trading accounts – why?
- I feel no urge to “reach for yield” – why not?
- My income and short-term trading profits cover my living expenses while I watch and wait for “home run” trades



Trading – It's Always About The Time Frame

- I watch the market – why is it where it is? – what is the psychology?
- I anticipate change
- I write down my trading ideas
- I wait for confirmation
- I watch all kinds of markets but trade only a few
- I try to determine my risk before I act



Trading – Notes Taped To My Trading Screens

- You gotta get your mind right – *Prison Warden, Cool Hand Luke, 1967*
- Anything can happen
- It's OK to do nothing
- What's done is done
- It's All One Market
- Money is transferred from one perception to another – *Gordon Gekko, Wall Street, 1987*



How I Converted >20% Of My Net Worth From CAD To USD

- 1) From time to time over the past two years I switched some of my CAD brokerage account balances to USD when I liked the rate. The last time was July 2011 at 1.06. Why?
- 2) By short-selling CAD futures – the profits remain in USD.
- 3) By short-selling calls on CAD futures - the option premiums I collect are in USD.



My Process for a Specific Short Term Trade

- Oct 27: risk assets surge on Euro-euphoria (Dow up over 400 pts) CAD up 1.3 cents. I'm skeptical, want to sell euphoria, but wait.
- Oct 28: no follow-through on the risk asset rally. Time to act. I chose to sell short CAD (the low beta choice of the All-One-Market basket) at 5 week highs, risking less than one cent
- Oct 31/Nov1: Risk assets tumble (proposed Greek referendum etc.) I cover short CAD position with 2.25 cent gain.
- Return to sidelines



“Big Picture” Trades I’m Anticipating Over The Next Year Or Two

- A stronger US Dollar (*in progress*)
- Weaker stock + commodity markets(*in progress*)
- The end of the 30 year bond bull market (*wait*)
- Forced selling of over-leveraged non-financial assets at fire-sale prices (*in progress – much more to come*)



Review

- What I do with my money is determined by the life experiences that have shaped my beliefs, motives and goals.
- I am trying to maintain my financial independence
- My Big Picture views keep me very cautious and liquid with my savings at this time
- I “keep my hand in” and earn money with short term trades while I wait for longer term opportunities – they will come!
- I have found a way to participate in the market that suits me



Thank you!

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